

EXHIBIT 1

INTRODUCTION

Respondent Capital Pacific Holdings, Inc. is a California Corporation engaged in real estate development.

In 2000, during the second semi-annual reporting period of July 1, 2000 through December 31, 2000, Respondent made \$108,880 in contributions and \$20,000 in independent expenditures, thereby qualifying as a “major donor committee” and as an “independent expenditure committee” under the Political Reform Act (the “Act”).¹

Having qualified as a major donor committee, Respondent was required under the Act to file a late contribution report within 24 hours of making a late contribution in the Fall of 2000. Respondent committed one violation of the Act by making a late contribution in October 2000, and failing to disclose that late contribution in a properly filed late contribution report within 24 hours of making the late contribution.

Having qualified as an independent expenditure committee, Respondent was also required under the Act to file a late independent expenditure report within 24 hours of making a late independent expenditure in the Fall of 2000. Respondent committed two violations of the Act by making two late independent expenditures in October 2000, and failing to disclose those late independent expenditures in a properly filed late independent expenditure report within 24 hours of making the late independent expenditures.

Furthermore, as an independent expenditure committee, Respondent was required by the Act to file two supplemental independent expenditure reports for the reporting period July 1, 2000 through December 31, 2000, on or before January 31, 2001. Respondent failed to timely file these reports, thereby committing two additional violations of the Act. The two reports were subsequently filed on September 17, 2001, eight and a half months late.

Finally, as a major donor committee, Respondent was required to file a semi-annual campaign statement, commonly known as a “major donor statement,” by January 31, 2001, disclosing the contributions and independent expenditures that it made during the period July 1, 2000 through December 31, 2000. Respondent failed to file a major donor statement by the January 31, 2001 due date, thereby committing one violation of the Act. The report was subsequently filed on September 17, 2001, eight and a half months late.

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code unless otherwise indicated. The regulations of the Fair Political Practices Commission appear at California Code of Regulations, Title 2, sections 18109-18996. All regulatory references are to Title 2 of the California Code of Regulations.

For the purposes of this Stipulation, Respondent's violations are stated as follows:

- COUNT 1: As a major donor committee, Respondent Capital Pacific Holdings, Inc. failed to disclose a \$2,500 late contribution to "Yes on Measure B Save Our Sea Clean Water Campaign," in a properly filed late contribution report, by the October 31, 2000 due date, in violation of Section 84203, subdivision (a).
- COUNT 2: As an independent expenditure committee, Respondent Capital Pacific Holdings, Inc. failed to disclose a \$10,000 late independent expenditure to "Voter Education Project," on behalf of "Proposition 34," in a properly filed late independent expenditure report, by the October 31, 2000 due date, in violation of Section 84204, subdivision (a).
- COUNT 3: As an independent expenditure committee, Respondent Capital Pacific Holdings, Inc. failed to disclose a \$10,000 late independent expenditure to "Voter Education Project," on behalf of "Proposition 39," in a properly filed late independent expenditure report, by the October 31, 2000 due date, in violation of Section 84204, subdivision (a).
- COUNT 4: As an independent expenditure committee, Respondent Capital Pacific Holdings, Inc. failed to file a supplemental independent expenditure report, by January 31, 2001, for the reporting period of July 1, 2000 through December 31, 2000, in violation of Section 84203.5, subdivision (a).
- COUNT 5: As an independent expenditure committee, Respondent Capital Pacific Holdings, Inc. failed to file a supplemental independent expenditure report, by January 31, 2001, for the reporting period of July 1, 2000 through December 31, 2000, in violation of Section 84203.5, subdivision (a).
- COUNT 6: As a major donor committee, Respondent Capital Pacific Holdings, Inc. failed to file a semi-annual campaign statement, by January 31, 2001, for the reporting period July 1 to December 31, 2000, in violation of Section 84200, subdivision (b).

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in Section 81002, subdivision (a), is to ensure that the contributions and expenditures affecting election campaigns are fully and truthfully disclosed to the

public, so that voters may be better informed, and improper practices may be inhibited. To that end, the Act sets forth a comprehensive campaign reporting system designed to accomplish this purpose of disclosure.

Major Donor Committees

Section 82013, subdivision (c) includes within the definition of “committee” any person or combination of persons who directly or indirectly makes contributions totaling ten thousand dollars (\$10,000) or more in a calendar year to, or at the behest of, candidates or committees. This type of committee is commonly referred to as a “major donor” committee.

Independent Expenditure Committees

Section 82031 defines an “independent expenditure” as an expenditure made by any person in connection with a communication which expressly advocates the election or defeat of a clearly identified candidate or the qualification, passage, or defeat of a clearly identified measure, or taken as a whole and in context, unambiguously urges a particular result in an election, but which is not made to, or at the behest of, the affected candidate or committee.

Section 82013, subdivision (b) defines a “committee” as any person or combination of persons who directly or indirectly makes independent expenditures totaling one thousand dollars (\$1,000) or more in a calendar year. This type of committee is commonly referred to as an ‘independent expenditure’ committee. A committee that satisfies the requirements for both, may be both a major donor committee and an independent expenditure committee.

Duty to File Late Contribution Reports

Under Section 84203, subdivision (a), when a committee makes or receives a late contribution, the committee must disclose the contribution in a late contribution report that must be filed within 24 hours of making or receiving the contribution. Section 82036 defines a “late contribution” as a contribution aggregating \$1,000 or more that is received before an election, but after the closing date of the last pre-election campaign statement. Under Section 84200.7, subdivision (b), for an election held in June or November of an even-numbered year, the late contribution period covers the last 16 days before the election.

Duty to File Late Independent Expenditure Reports

Under Section 84204, subdivision (a) and Section 82036.5, a committee that makes independent expenditures of one thousand dollars (\$1,000) or more to support or oppose a single candidate or ballot measure during the 16 days immediately prior to the election in which the candidate or ballot measure is being voted on, must file a late independent expenditure report within 24 hours of making the expenditure.

Duty to File Supplemental Independent Expenditure Reports

Under Section 84203.5, candidates and committees that make independent expenditures of one thousand dollars (\$1,000) or more are required to file independent expenditure reports at

the same time and same place where the candidate or committee on whose behalf the independent expenditure was made, would be required to file.²

Duty to File Semi-Annual Campaign Statements

Section 84200, subdivision (b) requires major donor committees to file a semi-annual campaign statement for any reporting period in which the committee made campaign contributions. The first semi-annual campaign statement covers the reporting period January 1 to June 30, and must be filed by July 31. The second semi-annual campaign statement covers the reporting period July 1 to December 31, and must be filed by January 31 of the following year.

SUMMARY OF THE FACTS

Respondent Capital Pacific Holdings, Inc. is a California corporation engaged in real estate development. In 2000, Respondent made \$108,880 in contributions and \$20,000 in independent expenditures to various California State and local candidates and measures during the second semi-annual reporting period. Respondent thereby qualified under Section 82013, subdivision (c) as a major donor committee, and also qualified under Section 82013, subdivision (b) and Section 82031 as an independent expenditure committee.

COUNT 1

Failure to File a Late Contribution Report

“Measure B” was on the City of Santa Barbara ballot for the November 7, 2000 election. The late reporting period for this election was October 22, 2000 through November 6, 2000. Once qualifying as a major donor committee, Respondent Capital Pacific Holdings, Inc. had a duty to file a late contribution report, disclosing, within 24 hours, any late contribution that it made.

Capital Pacific Holdings, Inc. qualified as a major donor committee on October 20, 2000, when Respondent’s aggregate contributions met or exceeded the \$10,000 threshold amount for the calendar year. As of October 20, 2000, Respondent had contributed \$81,380 to political committees.

Prior to the November 7, 2000 election, Respondent made a late contribution, and failed to file a late contribution report disclosing the contribution. The contribution that it made, and the date by

² Section 84203.5 was amended in 2000, effective January 1, 2001, raising the threshold from \$500 to \$1,000. Because the violations in this case (failure to file) occurred in 2001, the \$1,000 threshold is applicable.

which it was required to be disclosed in a late contribution report, is set forth below:

Count	Contribution Date	Recipient	Amount	Date Report Due
1	October 30, 2000	Yes on Measure B Save Our Sea Clean Water Campaign	\$2,500	October 31, 2000

By failing to file late a contribution report disclosing the late contribution, as set forth above, Respondent committed one violation of Section 84203, subdivision (a).

COUNTS 2-3

Failure to File Late Independent Expenditure Reports

Propositions 34 and 39 were on the ballot for the November 7, 2000 statewide election. The late reporting period for this election was October 22, 2000 through November 6, 2000. As an independent expenditure committee, Capital Pacific Holdings, Inc. had a duty to file late independent expenditure reports, disclosing, within 24 hours, the late independent expenditures that it made.

Prior to the November 7, 2000 election, Respondent made two late independent expenditures to the Voter Education Project, and failed to file late independent expenditure reports disclosing those expenditures. The independent expenditures that it made, and the dates by which they were required to be disclosed in late independent expenditure reports, is set forth below:

Count	Contribution Date	Statewide Measure	Position	Independent Expenditure	Amount	Date Report Due
2	October 30, 2000	Proposition 34	Support	Slate Mailer	\$10,000	October 31, 2000
3	October 30, 2000	Proposition 39	Support	Slate Mailer	\$10,000	October 31, 2000

By failing to file late independent expenditure reports disclosing two late independent expenditures, as set forth above, Respondent committed two violations of Section 84204, subdivision (a).

COUNTS 4-5

Failure to File Supplemental Independent Expenditure Reports

Prior to the November 7, 2000 election, Respondent made two late independent expenditures (as discussed in Counts 2 and 3), and also failed to file supplemental independent expenditure reports disclosing those expenditures. As Respondent made two expenditures exceeding \$1,000 each, for two

separate measures, after the closing date for the last pre-election statement for the November election, Respondent was required to file a supplemental independent expenditure report with the Secretary of State no later than January 31, 2001 for each independent expenditure. The independent expenditures that it made, and the dates by

which they were required to be disclosed in supplemental independent expenditure reports, is set forth below:

Count	Contribution Date	Statewide Measure	Position	Independent Expenditure	Amount	Date Report Due
4	October 30, 2000	Proposition 34	Support	Slate Mailer	\$10,000	January 31, 2000
5	October 30, 2000	Proposition 39	Support	Slate Mailer	\$10,000	January 31, 2000

Respondent subsequently filed the two supplemental independent expenditure reports with the Secretary of State on September 17, 2001, eight and a half months late. By failing to timely file supplemental independent expenditure reports disclosing the two late independent expenditures, as set forth above, Respondent committed two violations of Section 84203.5.

COUNT 6

Failure to Timely File a Semi-Annual Campaign Statement

As a major donor and independent expenditure committee, Respondent Capital Pacific Holdings, Inc. had a duty to file a semi-annual campaign statement by January 31, 2001, disclosing the contributions that it made during the reporting period July 1 to December 31, 2000. Respondent failed to file a semi-annual campaign statement, by the January 31, 2001 due date, in violation of Section 84200, subdivision (b). This failure to file a statement was discovered through operation of the Enforcement Division's Streamlined Late Contribution Enforcement Program. Under this program, Enforcement Division Investigator Jon Wroten reviewed recipient campaign statements filed with the Secretary of State (the "SOS"), which revealed that Respondent Capital Pacific Holdings, Inc. made contributions totaling \$128,880 during the second semi-annual reporting period for 2000, but failed to file a semi-annual statement disclosing those contributions and independent expenditures.

CONCLUSION

This matter consists of six counts, which carry a maximum possible administrative penalty of Twenty-One Thousand Dollars (\$21,000).³

³ Prior to January 1, 2001, Government Code section 83116 provided that violations of the Political Reform Act were punishable by an administrative penalty of up to \$2,000. Proposition 34, approved by voters in November 2000, repealed those penalties and added the new section 83116, which provides that violations committed on or following January 1, 2001 are punishable by administrative penalties of up to \$5,000 per violation. Because the violations in counts one through three were committed prior to January 1, 2001, the maximum penalty applicable to each violation

In this matter, Respondent Capital Pacific Holdings, Inc. failed to file six campaign statements regarding contributions and independent expenditures made in the later half of 2000. Respondent Capital Pacific Holdings, Inc. attributes its violations to being unaware of the filing obligations and deadlines associated with its campaign activity. In an effort to avoid similar violations in the future, Respondent Capital Pacific Holdings, Inc. has retained professional services to assist it with future campaign reporting. Finally, Respondent Capital Pacific Holdings, Inc. does not have a history of any prior enforcement action being taken against it.

Regarding Count 1, under the Enforcement Division's Streamlined Late Contribution Enforcement Program, the approved administrative penalty for failing to timely disclose a late contribution is 15 percent of the amount of the undisclosed contributions. Although this case has been excluded from the Program, due to Respondent's additional reporting violations, the late contribution reporting violation in this case does not appear to be especially aggravated, so imposition of a penalty approximating that standard penalty is appropriate.

Regarding Counts 2-3, the typical stipulated administrative penalty for failing to file a late independent expenditure report has historically ranged from \$1,000 to \$2,000 per statement. Considering the aggravating circumstance that the failure to disclose significant independent expenditures supporting Proposition 34 and Proposition 39 withheld time sensitive information from voters, an administrative penalty in the middle to upper end of the penalty range is appropriate.

Regarding Counts 4-5, the typical stipulated administrative penalty for failing to file a supplemental independent expenditure report has historically ranged from \$1,000 to \$1,700 per statement. As this violation does not appear to be especially aggravated, an administrative penalty in the lower to middle end of that penalty range is appropriate.

Regarding Count 6, a single count of failing to file a major donor statement, if handled through the Enforcement Division's Streamlined Major Donor Program, would ordinarily result in a \$400 penalty. However, as this violation took place in the context of additional reporting violations by Respondent, a penalty higher than the standard streamlined penalty is appropriate. The typical stipulated administrative penalty for the late filing of a semi-annual statement not resolved through a streamlined program has historically ranged from \$500 to \$1,500 per statement. Again, as this violation does not appear to be especially aggravated, an administrative penalty in the middle of that penalty range is appropriate.

The facts of this case therefore justify imposition of the agreed upon penalty of Six Thousand Five Hundred Dollars (\$6,500).

is \$2,000. The violations in counts four through six, having been committed after January 1, 2001, carry a maximum penalty of \$5,000 each.